Stardon (Moorside) Limited

Annual report and financial statements

for the year ended 31 December 2010

Registered Number: 281954

Stardon (Moorside) Limited

Contents

Stardon (Moorside) Limited
Company Registration Number: SC281954

Directors and advisors

Directors
Maurice Vincent Taylor
Jeffrey Gordon Dishner
Desmond Louis Mildmay Taljaard

Secretary
Adam Armstrong

Bankers
Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

Royal Bank of Scotland
Corporate Banking
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Independent Auditors
PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

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Stardon (Moorside) Limited
2nd Floor
Albert Chambers
13 Bath Street
Glasgow
G2 1HY

Stardon (Moorside) Limited

Company Registration Number: SC281954

Directors' report

for the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal activities

The company was incorporated in Scotland on 21 March 2005 and was a fully owned subsidiary of Stardon Investments (Moorside) S.à.r.l. until a restructuring at the end of 2008, when it became a fully owned subsidiary of Stardon Capital Investments S.à.r.l. From the date of incorporation the principal activity of the company has been the operation of the hotel trading as the Moorside Grange Hotel & Spa, Mudhurst Lane, Higher Disley, Cheshire, SK12 2AP. The company forms part of a group of companies ultimately owned by SOF–VI International Holding L.P., an investment fund sponsored by Starwood Capital Group Global, L.L.C.

Business Review

The results for the company show a pre-tax loss, before impairments, of £158k (2009 - £272k) for the year and revenue of £2,825k (2009 - £2,960k).

From a trading perspective the company performed behind the prior year due to the continuation of difficult economic conditions. The hotel's revpar (revenue per available room) declined during the year by 5% and the hotel's market position also slipped slightly compared with the prior year.

Balance sheet

The company's non-current asset base principally comprises land of £1,100k (2009 - £1,100k), buildings of £1,745k (2009 – £1,781k) and plant, equipment, fixtures and fittings of £412k (2009 - £418k). At the year end the buildings were reviewed for impairment in accordance with IAS 36 "Impairment of Assets".

Future developments

The current economic environment continues to be very challenging and as expected the hotel is performing behind the prior year. Management are driving revenue as hard as possible and continue to exercise tight cost controls.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

- The key business risks and uncertainties affecting the company are considered to relate to the economic environment. The hotel business closely follows GDP movements. This is clear from current trading which is being heavily impacted by the current economic environment.
- New hotels entering the company's local market place and existing competitors upgrading their products is also a significant risk to the company's trading performance.
- The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the performance of the company.

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Directors' report
for the year ended 31 December 2010

Results and dividends

The results for the year and the financial position of the company are as shown in the annexed financial statements.

The directors have not paid a dividend during the year and are not recommending the payment of any dividends to the ordinary shareholder.

Key performance indicators (KPI's)

The business has one primary KPI which is monitored regularly, revpar (revenue per available room). Refer to the business review for further details.

Directors and directors' interests

The directors during the year under review were as follows:

Maurice Vincent Taylor
Nicola Joan Taylor (resigned 4 July 2011)
Jeffrey Gordon Dishner
Desmond Louis Mildmay Taljaard

No directors have any interests in the share capital of the company.

Financial instruments

The company's third party financing arrangements were transacted on a group wide basis. Debt was initially raised centrally and then assigned to those group companies which own the hotels' operating assets. On 2 June 2008 the previous facility was repaid in full and the group's external borrowings were re-financed for a further five years, on improved terms, with an alternative provider. The loan was taken out by Stardon (UK) Ltd and then assigned to its fellow subsidiaries.

The debt bears a variable rate interest based on LIBOR plus a fixed margin of 3.25% and a variable rate mandatory cost and is repayable in 2013. The fixed rate margin increased from 1.25% to 3.25% on 2 May 2010. In order to manage the interest rate risk, Stardon (UK) Ltd took out an interest rate swap which hedges the entire outstanding loan and will remain in place until 1 May 2012. It had the effect of fixing the interest rate before margin at 3.5% to April 2010. It was renegotiated in February 2010 to fix the interest rate before margin at 4% with effect from May 2011 until its expiry in May 2012.

The day to day treasury transactions are managed by the company.

Current Funding Arrangement

The financial statements have been prepared at a time when the current economic climate continues to be very challenging.

The balance sheet as at 31 December 2010 shows the company in a net current liabilities position. Notwithstanding this, the directors have prepared these financial statements on the going concern basis which assumes that the company will be able to realise its assets and discharge its liabilities in the normal course of business.

The directors would like to highlight a material uncertainty relating to negotiations with the group's principal lender, Bank of Scotland, now part of Lloyds Banking Group. The company was not in a position to comply with a loan to value financial covenant as at 31 December 2010, entitling the company's lender to demand repayment of all outstanding loans should they choose to. However the company has continued to pay all interest amounts to the bank as payments have fallen due and is forecasting to maintain cash surpluses for the foreseeable future. The bank has not suggested that it will demand repayment of the loans, however the possibility remains that they could exercise their legal rights to demand repayment if the breach continues. As a result the directors have reclassified the entire bank loan to current liabilities.

In light of this the company is engaged with Bank of Scotland to enable the company to trade going forward. These discussions between the company and the lender continue to be constructive, with an expectation that a viable conclusion will be reached with the bank in the last quarter of 2011.

Having carefully considered these circumstances the directors believe that discussions regarding the company's banking facilities are likely to lead to a satisfactory conclusion. This has enabled the directors to form the judgement that that the company will continue to be able to maintain an appropriate level of funding, enabling it to continue to meet its debts as they fall due for the foreseeable future.

For these reasons the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Significant contracts with related parties

On 17 May 2005 the company entered into a service agreement with Chardon Management Limited to manage the hotel operations. On 15 April 2010 the terms of this agreement were renegotiated to extend from 5 to 8 years, on marginally more favourable terms. Charges to the company by Chardon Management Limited amounted to £123.7k in the year (2009 - £132.3k).

Further details regarding transactions that took place during the year can be found in note 18 of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

By order of the Board

Desmond Taljaard

Desmond Taljaard
Director
7 October 2011

Stardon (Moorside) Limited

Company Registration Number: SC281954

Independent Auditors' Report to the Members of Stardon (Moorside) Limited

We have audited the financial statements of Stardon (Moorside) Ltd for the year ended 31 December 2010 which comprise the Income Statement, the Statement of changes in equity, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made within the Principal Accounting Policies concerning the company's ability to continue as a going concern. The company is dependent on the continued financial support of its lender, and therefore the going concern assumption is dependent upon that support. As explained in the Principal Accounting Policies, the company's banking facilities are currently repayable on demand. The company is currently undergoing a review with its lender to enable it to trade positively through to the recovery of market trading conditions, whilst providing assurance to the lender on the lender's security. The Directors expect that a viable conclusion will be reached within the last quarter of 2011.

Independent Auditors' Report to the Members of Stardon (Moorside) Limited

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sandra Rodger

Sandra Rodger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
7 October 2011

Stardon (Moorside) Limited
Company Registration Number: SC281954

Income statement
for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue	1	**2,825.4**	**2,959.8**
Cost of sales		(2,483.5)	(2,538.7)
Gross operating profit		**341.9**	**421.1**
Write down of buildings	9	-	(1,712.8)
Administrative expenses		(398.7)	(545.6)
Operating loss	3	**(56.8)**	**(1,837.3)**
Finance costs	7	(101.6)	(147.2)
Loss before taxation		**(158.4)**	**(1,984.5)**
Taxation	8	-	-
Loss for the period attributable to shareholder	17	**(158.4)**	**(1,984.5)**

All operations are continuing.

The company has no recognised income or expenses other than those included in the Income Statement above and therefore no separate Statement of Comprehensive Income has been presented.

The notes on pages 12 to 26 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2010

	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
Total shareholder's equity at 31 December 2009	-	(6,053.9)	(6,053.9)
Loss for the year	-	(158.4)	(158.4)
Closing total shareholder's equity	**-**	**(6,212.3)**	**(6,212.3)**

Stardon (Moorside) Limited

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Balance Sheet

as at 31 December 2010

	Notes	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	3,256.5	3,300.0
		3,256.5	**3,300.0**
Current assets			
Inventories	10	56.1	66.6
Trade and other receivables	11	138.0	116.4
		194.1	**183.0**
Total assets		**3,450.6**	**3,483.0**
Current liabilities			
Trade and other payables	13	748.1	661.1
Cash and cash equivalents	12	243.9	204.9
Financial liabilities	14	6,567.0	6,567.0
Bank borrowings	15	2,103.9	2,103.9
Total liabilities		**9,662.9**	**9,536.9**
Net liabilities		**(6,212.3)**	**(6,053.9)**
Shareholder's equity			
Ordinary shares	16	-	-
Retained earnings	17	(6,212.3)	(6,053.9)
Total shareholder's equity		**(6,212.3)**	**(6,053.9)**

The financial statements on pages 9 to 26 were approved by the board of directors on 7 October 2011 and were signed on its behalf by:

Maurice Vincent Taylor
Director

Stardon (Moorside) Limited
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Cash flow statement
for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Operating loss		**(56.8)**	**(1,837.3)**
Adjustments for:			
Depreciation	9	155.4	244.6
Write down of buildings	9	-	1,712.8
Changes in working capital:			
Decrease/(Increase) in inventories	10	10.5	(2.6)
(Increase)/decrease in trade and other receivables		(21.6)	22.1
Increase in trade and other payables		38.6	578.9
Cash generated from operations		**126.1**	**718.5**
Cash flows from investing activities			
Purchase of property, plant and equipment		(113.6)	(111.6)
Net cash used in investing activities		**(113.6)**	**(111.6)**
Cash flows from financing activities			
Interest paid		(51.5)	(109.8)
Net cash used in financing activities		**(51.5)**	**(109.8)**
(Decrease)/increase in cash and cash equivalents		**(39.0)**	**497.1**
Cash and cash equivalents at the beginning of the year		(204.9)	(702.0)
Cash and cash equivalents at the end of the year	12	**(243.9)**	**(204.9)**

Stardon (Moorside) Limited

Notes to the financial statements
For the year ended 31 December 2010

1. Principal accounting policies

The principal accounting policies adopted in the presentation of these financial statements are set out below. These policies have been consistently applied throughout the period under review, unless otherwise stated.

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention except for land and buildings which are measured at market value at the point of acquisition.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

b) Changes in accounting policies and disclosures

IAS 1 (Revised) is effective for periods beginning on or after 1 January 2009. This standard supersedes IAS 1 and amends presentation within the financial statements. The adoption of the new standard has no impact on the financial results.

The following interpretations to published standards are effective for the current financial period but they do not have an impact on the company's operations:

IFRS 7	"Financial Instruments – Disclosures" (amendment)
IFRS 2	"Share based payment" (amendment)

The following new standards and revisions, amendments and interpretations to existing standards have been published but are not mandatory for the current financial period. They are not expected to have a significant impact on the company's financial reporting.

IFRIC 17	"Distribution of non-cash to owners"
IAS 27 (revised)	"Consolidated and separate financial statements"
IFRS 3 (revised)	"Business Combinations"
IAS 38	"Intangible Assets" (amendment)
IFRS 5	"Non current assets held for site and discontinued operations" (amendment)
IAS 1	"Presentation of financial statements" (amendment)
IFRS 2	"Group cash settled share based payment transactions" (amendment)
IAS 39	"Financial Instruments: Recognitions and measurement on eligible hedges items"

c) Going Concern

The financial statements have been prepared at a time when the current economic climate continues to be very challenging.

Stardon (Moorside) Limited

Notes to the financial statements
For the year ended 31 December 2010

1. Principal accounting policies

c) Going Concern (continued)

The balance sheet as at 31 December 2010 shows the company in a net current liabilities position. Notwithstanding this, the directors have prepared these financial statements on the going concern basis which assumes that the company will be able to realise its assets and discharge its liabilities in the normal course of business.

The directors would like to highlight a material uncertainty relating to negotiations with the group's principal lender, Bank of Scotland, now part of Lloyds Banking Group. The company was not in a position to comply with a loan to value financial covenant as at 31 December 2010, entitling the company's lender to demand repayment of all outstanding loans should they choose to. However the company has continued to pay all interest amounts to the bank as payments have fallen due and is forecasting to maintain cash surpluses for the foreseeable future. The bank has not suggested that it will demand repayment of the loans, however the possibility remains that they could exercise their legal rights to demand repayment if the breach continues. As a result the directors have reclassified the entire bank loan to current liabilities.

In light of this the company is engaged with Bank of Scotland to enable the company to trade going forward and to provide assurance to the lender's on their security. These discussions between the company and the lender continue to be constructive, with an expectation that a viable conclusion will be reached with the bank in the last quarter of 2011.

Having carefully considered these circumstances the directors believe that discussions regarding the company's banking facilities are likely to lead to a satisfactory conclusion. This has enabled the directors to form the judgement that that the company will continue to be able to maintain an appropriate level of funding, enabling it to continue to meet its debts as they fall due for the foreseeable future.

As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis.

These financial statements do not include any adjustments to the balance sheet if assets were to be realised at significantly less than book value or provision for further liabilities that may be required if the going concern basis of preparation is inappropriate.

d) Revenue

Revenue is measured at the fair value of the consideration received excluding VAT and net of trade discounts.

Revenue in respect of hotel accommodation, food and beverage and related services is recognised at the point the services are rendered. Merchandise sales are recognised at point of sale.

e) Goodwill

On the acquisition of a business, fair values are attributed to the net assets (including any identifiable intangible assets) acquired. Goodwill arises where the fair value of the consideration given exceeds the fair value of the net assets acquired. Goodwill is recognised as an asset and is reviewed for impairment at least annually. Impairments are recognised immediately in the income statement.. On the disposal of a business, goodwill relating to that business remaining on the balance sheet is included in the determination of the profit or loss on disposal.

1. Principal accounting policies

f) Impairment

The carrying amount of the company's assets, other than financial assets within the scope of IAS 39 and deferred tax assets, is reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. The recoverable amount is determined based on value in use calculations, which require the use of estimates. An impairment loss is recognised in the income statement whenever the carrying amount of the assets exceeds their recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the assets, with the exception of goodwill and other intangibles, is increased to the revised estimate of their recoverable amount. This cannot exceed the carrying amount prior to the impairment charge. An impairment recognised in the income statement in respect of goodwill is not subsequently reversed.

g) Property, plant and equipment

Property, plant and equipment are shown at historical cost or fair value less accumulated depreciation and any impairment value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, on a straight line basis over its expected useful life as follows:

Buildings	50 years
Plant and equipment	10 years
Fixtures and fittings	5 years
Computer equipment	3 years

All land is freehold and is not depreciated. The hotel buildings were acquired in December 2008 at a cost of £5,100k when the group was restructured but their value has been reduced as a result of annual impairment reviews. It is the revised value which is used as the basis for annual depreciation charges.

h) Finance and Operating Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets acquired under finance leases are capitalised at the inception of the lease and are depreciated over their useful lives. The interest element of rental payments is charged to the Income Statement over the period of the lease on the basis of the capital element outstanding. All other leases are operating leases, and the rental of these is charged to the income statement as incurred over the life of the lease.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

j) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The company has one reportable segment, the provision of hotel facilities, all based in the UK.

1 Principal accounting policies (continued)

k) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

m) Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Foreign currency

The functional currency of the company is pounds sterling. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

o) Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

1 Principal accounting policies (continued)

o) Taxation (continued)

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the rates of taxation enacted or substantively enacted at the balance sheet date and is not discounted.

p) ***Cash and cash equivalents***

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and other short-term, highly liquid deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

q) ***Bank borrowings***

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance costs, including premiums payable on settlement or redemption costs and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

r) ***Pensions***

The company operates a defined contribution pension scheme on behalf of certain employees of the company. The assets are held separately from those of the company in independently administered funds. Payments made to the scheme are charged to the income statement as incurred and comprise current service contributions.

2. Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of assets are explained in Note 9.

3. Operating loss

The operating loss has been arrived at after charging:

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Employee benefit expenses	4	1,180.0	1,184.4
Depreciation	9	155.4	244.6
Operating lease rentals:			
- Other		24.2	43.8
Repairs and maintenance expenditure		121.2	124.2
Auditors' remuneration	6	17.0	14.0

Stardon (Moorside) Limited

Notes to the financial statements
For the year ended 31 December 2010

4. Employee benefit expenses

Employee benefit expenses of the company during the year were as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
	£'000	£'000
Wages and salaries	1,075.5	1,082.4
Social security costs	77.4	74.4
Pension costs	0.3	0.9
Other employee benefits	26.8	26.7
	1,180.0	**1,184.4**

The average number of full time employees employed during the year was 79 (2009 – 71). As the company considers the employees of the hotel as a single category, no further analysis of staff numbers is appropriate.

5. Directors' remuneration

No directors have received any remuneration from the company for their services to the company in the current or prior year. No directors had retirement benefits accruing under the company pension scheme in the current or prior year.

6. Auditors' remuneration

	Year ended 31 December 2010	Year ended 31 December 2009
	£'000	£'000
Audit services		
- Statutory audit	11.6	8.0
Tax and consultancy services		
- Consultancy services	5.4	6.0
Total auditors remuneration	**17.0**	**14.0**

7. Finance costs

	Year ended 31 December 2010	Year ended 31 December 2009
	£'000	£'000
Interest payable on bank borrowings	68.8	111.6
Amortisation of issue costs of bank loan	-	-
Interest payable on amounts owed to intermediate holding company	32.8	35.6
Interest and similar charges payable	**101.6**	**147.2**

Stardon (Moorside) Limited

Notes to the financial statements
For the year ended 31 December 2010

8. Taxation

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
UK corporation tax at 28% (2009 – 28%)	-	-
Total current tax charge	-	-
Deferred tax	-	-
Taxation	-	-

The tax assessed for the period is higher than the standard rate applying in the UK (28.0%). The differences are explained below:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Loss on ordinary activities before tax	(158.4)	(1,984.5)
Loss on ordinary activities at the UK tax rate (28.0%) (2009: 28.0%)	(44.3)	(555.7)
Effects of:		
Expenses not deductible for tax purposes	6.0	5.7
Group relief surrendered	4.5	9.3
Movement in respect of assets becoming non-qualifying		-
Deferred tax movement not recognised	32.6	540.7
Rate adjustment for deferred tax	1.2	-
Total taxation	-	-

Unrecognised deferred tax assets at 31 December 2010 are analysed below. There is no time limit on the use of the unrecognised deferred tax that arises on the losses.

Amounts not recognised in respect of deferred taxation:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Accelerated tax depreciation	(1,243.8)	(1,270.6)
Provisions	-	(3.0)
Tax losses	(210.1)	(217.8)
	(1,453.9)	**(1,491.4)**

During the year, a change in the UK corporation tax rate from 28% to 27% was substantively enacted and the reduced rate was expected to be effective from 1 April 2011. The relevant deferred tax balances have been re-measured accordingly.

Stardon (Moorside) Limited

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8. Taxation (continued)

In addition to the change in Corporation tax rates disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Had the change in rate to 23% been substantively enacted as of the balance sheet date, there would have been no significant impact on the accounts.

9. Property, plant and equipment

	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 December 2009	1,100.0	5,100.0	639.0	114.3	155.0	7,108.3
Additions	-	-	90.1	13.5	8.3	111.9
At 31 December 2010	**1,100.0**	**5,100.0**	**729.1**	**127.8**	**163.3**	**7,220.2**
Accumulated depreciation						
At 31 December 2009	-	3,318.6	330.0	52.6	107.1	3,808.3
Charge for the year	-	36.4	62.8	24.0	32.2	155.4
At 31 December 2010	-	**3,355.0**	**392.8**	**76.6**	**139.3**	**3,963.7**
Net book value						
At 31 December 2010	**1,100.0**	**1,745.0**	**336.3**	**51.2**	**24.0**	**3,256.5**
At 31 December 2009	1,100.0	1,781.4	309.0	61.7	47.9	3,300.0

During the year buildings were reviewed for impairment in accordance with IAS 36 "Impairment of Assets". As a result of this review required to write down to the value of buildings was necessary. During the prior year a write down of £1,713k was recognised.

10. Inventories

	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Food and beverage	9.2	12.6
Merchandise	11.5	11.5
Operating stocks	35.4	42.5
	56.1	**66.6**

Inventories recognised as expenses in the income statement in the period are as follows:-

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Food and beverage	347.4	339.6
Merchandise	12.5	15.1
Operating stocks	33.1	46.6
	393.0	**401.3**

No expenses have been recognised to write down inventories to net realisable value in the period (2009 – £nil).

11. Trade and other receivables

	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Trade receivables	70.8	60.5
Less: provision for impairment of trade receivables	-	(1.7)
Trade receivables net	70.8	58.8
Amounts owed by subsidiaries of intermediate holding company	7.9	3.1
Prepayments and deferred income	58.6	54.5
Other receivables	0.7	-
	138.0	**116.4**

Stardon (Moorside) Limited

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11. Trade and other receivables (continued)

The directors consider that the carrying amount of trade debtors approximates their fair value.

The ageing of trade receivables is as follows:

	As at 31 December 2010	As at 31 December 2009 £'000
Up to 30 days past due date	53.3	38.2
31-60 days past due date	15.9	18.2
61-90 days past due date	1.6	2.4
Over 91 days past due date	-	-
	70.8	**58.8**

Concentrations of credit risk with respect to trade receivables are limited due to the company's customer base being large and unrelated. Due to this, the management believe there is no further credit risk provision required in excess of normal provisions for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amounts of the company's receivables are denominated in GBP (UK sterling).

The directors consider that the carrying amount of trade debtors approximates their fair value.

The other classes within Trade and other receivables do not contain impaired assets.

11. Trade and other receivables (continued)

The ageing of the provision for impairment of trade receivables is as follows:

	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Up to 30 days past due date	-	-
31-60 days past due date	-	-
61-90 days past due date	-	1.7
Over 91 days past due date	-	-
	-	**1.7**

The movement on the provision for impairment of trade receivables is as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
At 1 January	1.7	1.2
Increase in provision	-	0.5
Amounts written off	(1.7)	-
At 31 December	**-**	**1.7**

12. Cash and cash equivalents

Cash and cash equivalents comprise of a bank overdraft and cash in hand and the carrying amount, which is a net overdrawn position, of £243,914 (2009 - £204,859 net overdrawn) equates to the fair value.

13. Trade and other payables

	As at 31 December 2010	As at 31 December 2009
	£'000	£'000
Trade payables	110.0	111.3
Amounts owed to intermediate holding company	97.3	64.5
Amounts owed to subsidiaries of intermediate holding company	179.3	161.9
Other tax and social security	60.1	59.2
Other creditors	1.5	2.3
Deferred income	156.0	146.6
Accruals	143.9	115.3
	748.1	**661.1**

Amounts owed to the intermediate holding company (Stardon Investments S.à.r.l.) principally comprise of fixed rate interest of 0.5% on an unsecured GBP sterling loan which is repayable in 2015. Amounts owed to subsidiaries of the intermediate holding company principally comprise of fixed rate interest of 7% on rolling unsecured loans, which were repaid during the year (see note 18).

The directors consider that the carrying amount of trade payables and other payables approximates their fair value.

14. Financial liabilities

	As at 31 December 2010	As at 31 December 2009
	£'000	£'000
Amounts owed to intermediate holding company	**6,567.0**	**6,567.0**

Amounts owed to the intermediate holding company (Stardon Investments S.à.r.l.) comprise of an unsecured GBP sterling loan which is repayable on 17 February 2015. Either party may terminate the agreement at any time before this date by giving 30 days' notice but the loan is not expected to be repaid within the next twelve months. The loan bears a fixed interest rate of 0.5% and a variable interest rate based on the net accounting profit of the company (see note 18).

15. Bank borrowings

	As at 31 December 2010	As at 31 December 2009
	£'000	£'000
Bank loans	2,103.9	2,103.9
	2,103.9	**2,103.9**

The GBP sterling bank loan is secured via floating charges and a share pledge and is repayable in a single instalment due in 2013. The external bank loan drawn down by the company has been assigned to it from Stardon (UK) Limited, a fellow subsidiary of the intermediate holding company, and forms part of a facility taken out by Stardon (UK) Limited. As part of the restructuring exercise, the company also assumed the external bank loan that had originally been assigned to its parent. Stardon (UK) Limited provides a cross guarantee to all parties included in the facility agreement.

The loan bears floating rate interest based on LIBOR plus a fixed margin of 3.25% and a variable rate mandatory cost. The fixed rate margin increased from 1.25% to 3.25% on 2 May 2010. Under the terms of the facility agreement, in order to manage the interest rate risk, Stardon (UK) Limited has hedged the full loan via an interest rate swap which will remain in place until 1 May 2012. The swap, which was contracted by Stardon (UK) Limited for the whole of the group, had the effect of fixing the interest rate (before margin) at 3.5% to April 2010. It was renegotiated in February 2010 to fix the interest rate before margin at 4% with effect from May 2011 until its expiry in May 2012

The weighted average effective interest rate for the year on all loans drawn down was 3.3%. The weighted average effective interest rate takes into account the effect of the interest rate swap.

16. Ordinary shares

	As at 31 December 2010	As at 31 December 2009
	£'000	£'000
Authorised		
1,000 ordinary shares of £1 each	**1.0**	**1.0**
Issued and fully paid		
1 ordinary share of £1	-	-

17. Retained earnings

	Retained earnings
	£'000
At 1 January 2010	(6,053.9)
Loss for the year	(158.4)
At 31 December 2010	**(6,212.3)**

18. Related party transactions

During the year the company has traded in its normal course of business with businesses which are subject to joint control as follows:

Related party	Nature of the transaction	Purchases from £'000	Sales to £'000	Net creditor /(debtor) outstanding £'000
Intermediate holding company				
Stardon Investments S.à.r.l.	Interest/loan	8.5	-	6,664.3
		8.5	-	**6,664.3**
Subsidiaries of intermediate holding company				
Stardon (UK) Limited	Cost Recharge	17.4	-	174.5
		17.4	-	**174.5**
Stardon (Brighton West Pier) Limited	Cost recharge	-	-	4.8
Stardon (Corby) Limited	Cost recharge	-	4.8	(7.9)
		-	**4.8**	**(3.1)**
Other related party				
Chardon Management Limited	Management services	123.7	-	-
		123.7	-	-

Nicola Taylor, who is a director of Stardon (Moorside) Limited, also has a controlling interest in Chardon Management Limited.

The loan of £3,363,434 included in the amounts owed to Stardon Investment S.à.r.l. is an unsecured loan repayable on 17 February 2015. Either party may terminate the agreement at any time before this date by giving 30 days' notice. The loan bears a fixed interest rate of 0.5% and a variable interest rate based on the net accounting profit of the company.

All other transactions are settled in line with the company's creditor payment policy.

Stardon (Moorside) Limited

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19. Financial and capital commitments

At 31 December 2010 the total of future minimum lease payments under non-cancellable operating leases was as follows:

	£'000
Total commitments under operating leases	
Expiring within one year	20.5
Expiring between two and five years	35.5
Expiring over five years	-
	56.0

The company leases plant and machinery under non-cancellable operating lease agreements.

In addition, the company has operating lease commitments under rolling contracts without an agreed termination date. The minimum lease commitment payable under these leases is therefore less than the annual income statement charge.

At 31 December 2010, the company had entered into unprovided contractual commitments for the acquisition of property, plant and equipment amounting to £88,264 (2009 - £43,000).

20. Pensions

The company operates a defined contribution pension plan. Contributions of £260 were paid into the scheme during the period. There were no outstanding contributions due from the company at the balance sheet date.

21. Parent and ultimate parent

The parent company is Stardon Capital Investments S.à.r.l., a company registered in Luxembourg. The ultimate parent is SOF–VI International Holdings L.P., which is registered in the United States of America.